

TV Today Network

Performance Update

Y/E March (₹ cr)	3QFY17	3QFY16	% yoy	2QFY17	% qoq
Net sales	141	151	(6.4)	132	6.5
EBITDA	42	60	(30.5)	37	13.4
EBITDA margin (%)	29.7	40.1	(1,033bp)	27.9	181bp
Adjusted PAT	26	37	(28.5)	23	16.4

Source: Company, Angel Research

TV Today Network (TTNL) reported subdued set of numbers for 3QFY2017 with its top-line plunging by ~6% yoy. On the operating front, the company reported margin contraction on account of an increase in overall operating expenses, owing to which the Net Profit witnessed a de-growth ~29% yoy.

Top-line de-grew 6.4% yoy: Top-line was lower by ~6% yoy to ~₹141cr, due to lower corporate ad spends. Further, the sell-off of 4 radio stations (Jodhpur, Amritsar, Patiala and Shimla) also impacted the top-line growth.

PAT de-grew ~29% yoy: The company reported margin contraction by 1,033bp yoy to 29.7% due to an increase in overall operating expenses. The EBITDA de-grew by ~31% yoy to ₹42cr, as a result of which the Net Profit also declined by ~29% to ₹26cr.

Outlook and Valuation: We expect TTNL to report a net revenue CAGR of ~8% to ~₹645cr and net profit to post a CAGR of ~7% to ₹108cr over FY2016-18E. The company has sustained its leadership position in the Hindi news genre for 14 consecutive years, while in the English news genre, it currently holds the No. 2 position. The company is debt free with ₹201cr of cash on its balance sheet. Hence, **we maintain our Buy recommendation on the stock with a target price of ₹344.**

Key Financials

Y/E March (₹ cr)	FY2015	FY2016	FY2017E	FY2018E
Net sales	477	546	567	645
% chg	22.4	14.6	3.9	13.7
Adj. Net profit	81	94	92	108
% chg	32.1	16.4	(2.8)	17.8
EBITDA margin (%)	27.6	26.8	26.7	27.0
EPS (₹)	13.6	15.8	15.4	18.1
P/E (x)	19.9	17.1	17.6	14.9
P/BV (x)	3.6	3.0	2.6	2.3
RoE (%)	18.0	17.7	14.9	15.2
RoCE (%)	22.3	21.7	19.2	19.5
EV/Sales (x)	3.1	2.6	2.4	2.0
EV/EBITDA (x)	11.2	9.6	9.0	7.5

Source: Company, Angel Research; Note: CMP as of February 9, 2017

BUY

CMP	₹270
Target Price	₹344

Investment Period	12 Months
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Stock Info

Sector	Media
Market Cap (₹ cr)	1,623
Net Debt (₹ cr)	(201)
Beta	1.0
52 Week High / Low	360/250
Avg. Daily Volume	13,607
Face Value (₹)	5
BSE Sensex	28,330
Nifty	8,778
Reuters Code	TVTO.BO
Bloomberg Code	TVTN.IN

Shareholding Pattern (%)

Promoters	57.4
MF / Banks / Indian Fls	6.8
FII / NRIs / OCBs	7.8
Indian Public / Others	28.0

Abs.(%)	3m	1yr	3yr
Sensex	4.0	17.9	39.3
TTNL	(17.0)	(12.6)	152.2

Historical share price chart



Source: Company, Angel Research

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Exhibit 1: 4QFY2016 Performance

Y/E March (₹ cr)	3QFY17	3QFY16	% yoy	2QFY17	% qoq	9MFY17	9MFY16	% chg
Net Sales	141	151	(6.4)	132	6.5	408	400	2.0
Staff Costs	36	37	(1.6)	34	5.9	110	103	6.5
(% of Sales)	25.9	24.6	126	26.1	(15)	26.9	25.7	116
Selling & Adm. Expenses	27	23	19.8	31	(12.1)	86	80	7.0
(% of Sales)	19.3	15.1	423	23.4	(409)	21.0	20.0	99
Other Expenses	35	30	16.0	30	18.0	97	87	11.3
(% of Sales)	25.1	20.2	485	22.6	243	23.8	21.8	201
Total Expenditure	99	90	9.7	95	3.8	292	270	8.2
Operating Profit	42	60	(30.5)	37	13.4	116	130	(11.1)
OPM	29.7	40.1		27.9		28.3	32.5	
Interest	0	0.06	33.3	0	-	0	0	41.2
Depreciation	7	7.17	(2.6)	7	(4.4)	22	23	(4.9)
Other Income	5	4	23.4	5	3.6	15	14	6.1
PBT (excl. Ext Items)	40	57	(30.2)	35	15.8	109	121	(10.3)
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	40	57	(30.2)	35	15.8	109	121	(10.3)
(% of Sales)	28.4	38.0		26.1		26.6	30.3	
Provision for Taxation	14	20		12		37	42	(10.9)
(% of PBT)	34.2	35.7		34.5		34.4	34.6	
Reported PAT	26	37	(28.5)	23	16.4	71	79	(10.0)
PATM	18.7	24.5		17.1		17.5	19.8	
Minority Interest After NP								
Extra-ordinary Items								
Reported PAT	26	37	(28.5)	23	16.4	71	79	(10.0)
PATM	18.7	24.5		17.1		17.5	19.8	

Source: Company, Angel Research

Investment Arguments

Strong viewership ranking in Hindi and English news genre

TTNL enjoys a strong viewership ranking in the Hindi and English news channel categories. The company's Hindi news channel i.e. Aaj Tak has maintained its market leadership position for several consecutive years in terms of viewership and continues to dominate by being the channel of choice during unfolding of key national as well as international events. Further, TTNL's English news channel i.e. India Today has been continuously gaining viewership ranking, it has now captured the No. 2 spot from No. 4 earlier. Its other channels like Dilli Aaj Tak and Tez are also popular among viewers.

TTNL to benefit from TV industry (ad + subscription revenue) growth of ~16% CAGR over CY14-19E

Going forward we expect the TV industry to report a 16% CAGR over CY2014-19E on back of increased advertisement allocations by the corporates, government, and E-Commerce set ups, which are a significant new category. We also expect an improvement in subscription revenue due to digitization of phase 3 & 4. Since the last 6-7 quarters, FMCG and automobile companies, which incur significantly high ad spends, are underperforming due to weak consumer buying sentiments in rural areas (owing to two prior consecutive years of poor monsoon). However, we are now witnessing some improvement in TV ad spends in anticipation of an improvement in the rural economy with the country having received optimal monsoon this year. We anticipate TTNL to benefit on account of all these factors.

Outlook and Valuation

We expect TTNL to report net revenue CAGR of ~8% to ~₹645cr and net profit to post a CAGR of ~7% to ₹108cr over FY2016-18E. The company has sustained its leadership position in the Hindi news genre for 14 consecutive years, while in the English news genre, it currently holds the No. 2 position. The company is debt free with ₹201cr of cash on its balance sheet. Hence, **we maintain our Buy recommendation on the stock with a target price of ₹344.**

Downside risks to our estimates include

- 1) Loss of leadership in viewership could affect the company's advertisement revenue.
- 2) Overall slowdown in the Indian economy could lead to a cut in ad spends allocation by corporate, which could potentially hurt TTNL's revenues.
- 3) Any delay in digitalization could impact the company's subscription revenue growth.

Company Background

TV Today Network (TTNL) is one of India's leading Hindi-English news television networks. The company's operating segments include television broadcasting and radio broadcasting. The company operates four news channels, which include Aaj Tak, India Today (earlier known as Headlines Today), Tez and Dilli Aaj Tak. It is also engaged in publishing, its publications include India Today, Business Today, etc. The company has hired well known anchors like Karan Thapar and Rajdeep Sardesai in its team. Living Media India Ltd is the holding company for TTNL.

Profit & Loss Statement

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Total operating income	313	389	477	546	567	645
% chg	1.4	24.6	22.4	14.6	3.9	13.7
Total Expenditure	278	280	345	400	416	471
Employee Cost	93	93	117	142	149	172
Selling & Admin. Exp.	89	86	102	120	122	138
Others Expenses	96	101	126	138	145	161
EBITDA	35	109	132	146	151	174
% chg	33.4	216.0	20.5	11.1	3.5	15.0
(% of Net Sales)	11.1	28.1	27.6	26.8	26.7	27.0
Depreciation & Amort.	21	24	30	31	33	36
EBIT	14	85	102	116	118	138
% chg	14.1	528.0	19.5	13.9	2.0	17.0
(% of Net Sales)	4.3	21.8	21.3	21.2	20.8	21.4
Interest & other Charges	3	4	1	0	-	-
Other Income	7	12	23	32	23	23
(% of PBT)	42.0	12.6	18.5	21.6	16.3	14.3
Share in profit of Asso.	-	-	-	-	-	-
Recurring PBT	18	93	123	147	141	161
% chg	7.1	430.0	31.8	19.9	(4.2)	14.2
Prior Period & Extra. Exp./ (Inc.)	-	-	-	-	-	-
PBT (reported)	18	93	123	147	141	161
Tax	5	32	42	53	49	53
(% of PBT)	30.6	34.2	34.1	36.0	35.0	33.0
PAT (reported)	12	61	81	94	92	108
Add: Share of earnings of asso.	-	-	-	-	-	-
ADJ. PAT	12	61	81	94	92	108
% chg	26.4	361.1	32.1	16.4	(2.8)	17.8
(% of Net Sales)	3.9	15.7	17.0	17.3	16.2	16.7
Basic EPS (₹)	2.2	10.3	13.6	15.8	15.4	18.1
Fully Diluted EPS (₹)	2.2	10.3	13.6	15.8	15.4	18.1
% chg	26.4	361.1	32.1	16.4	(2.8)	17.8

Balance Sheet

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
SOURCES OF FUNDS						
Equity Share Capital	30	30	30	30	30	30
Reserves & Surplus	295	349	420	503	584	679
Shareholders Funds	325	379	450	533	614	709
Total Loans	60	17	7	-	-	-
Deferred Tax Liability	-	3	5	5	5	5
Total Liabilities	385	399	462	538	619	714
APPLICATION OF FUNDS						
Gross Block	383	394	438	460	495	535
Less: Acc. Depreciation	161	179	203	233	266	303
Net Block	222	215	235	227	228	232
Capital Work-in-Progress	10	2	3	3	3	3
Investments	46	46	46	40	50	65
Current Assets	191	220	283	372	434	523
Sundry Debtors	94	110	141	157	166	191
Cash	31	57	95	161	197	245
Loans & Advances	56	47	41	48	62	77
Other Assets	10	6	6	7	9	10
Current liabilities	99	102	126	125	118	130
Net Current Assets	91	118	157	247	316	393
Deferred Tax Asset	17	18	21	21	21	21
Mis. Exp. not written off	-	-	-	-	-	-
Total Assets	385	399	462	538	619	714

Cashflow Statement

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Profit before tax	18	93	123	147	141	161
Depreciation	21	22	24	31	33	36
Change in Working Capital	3	(8)	(27)	(24)	(33)	(28)
Interest / Dividend (Net)	2	(1)	(6)	0	-	-
Direct taxes paid	(6)	(32)	(42)	(53)	(49)	(53)
Others	1	6	7	-	-	-
Cash Flow from Operations	39	81	78	101	92	116
(Inc.)/ Dec. in Fixed Assets	(15)	(3)	(49)	(11)	(55)	(70)
(Inc.)/ Dec. in Investments	-	-	-	5	(10)	(15)
Cash Flow from Investing	(15)	(3)	(49)	(17)	(45)	(55)
Issue of Equity	-	0	1	-	-	-
Inc./(Dec.) in loans	4	(43)	(11)	(7)	-	-
Dividend Paid (Incl. Tax)	(5)	(4)	(6)	(11)	(11)	(13)
Interest / Dividend (Net)	(6)	(4)	24	(0)	-	-
Cash Flow from Financing	(7)	(52)	9	(18)	(11)	(13)
Inc./(Dec.) in Cash	17	26	37	67	36	48
Opening Cash balances	14	31	57	95	161	197
Closing Cash balances	31	57	95	161	197	245

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E
Valuation Ratio (x)						
P/E (on FDEPS)	121.1	26.3	19.9	17.1	17.6	14.9
P/CEPS	48.5	18.8	14.5	12.9	12.9	11.2
P/BV	5.0	4.3	3.6	3.0	2.6	2.3
Dividend yield (%)	0.3	0.4	0.6	0.7	0.7	0.8
EV/Sales	5.1	3.9	3.1	2.6	2.4	2.0
EV/EBITDA	46.1	14.0	11.2	9.6	9.0	7.5
EV / Total Assets	3.3	3.0	2.5	2.1	1.9	1.5
Per Share Data (₹)						
EPS (Basic)	2.2	10.3	13.6	15.8	15.4	18.1
EPS (fully diluted)	2.2	10.3	13.6	15.8	15.4	18.1
Cash EPS	5.6	14.3	18.6	20.9	21.0	24.1
DPS	0.7	1.0	1.5	1.9	1.8	2.2
Book Value	54.3	63.5	75.4	89.3	102.9	118.8
Returns (%)						
ROCE	3.5	21.5	22.3	21.7	19.2	19.5
Angel ROIC (Pre-tax)	4.4	29.0	32.1	34.9	32.2	34.7
ROE	3.8	16.2	18.0	17.7	14.9	15.2
Turnover ratios (x)						
Asset Turnover (Gross Block)	0.8	1.0	1.1	1.2	1.1	1.2
Inventory / Sales (days)	-	-	-	-	-	-
Receivables (days)	110	103	108	105	107	108
Payables (days)	66	48	52	58	52	50
WC cycle (ex-cash) (days)	43	55	56	47	55	58

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TV Today Network

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)